

# Philadelphians: In Foreclosure, Behind (or About To Be Behind) on Your Mortgage? Here's What You Need to Know

Many homeowners may have trouble paying their mortgages because of job loss, reduced income, or illness related to COVID-19. Here are some answers to commonly asked questions about how COVID-19 affects homeowners with mortgages.

## Topics covered include:

- what to do if you can't make your mortgage payment
- where to get help dealing with your mortgage company
- relief available for different types of mortgages and how to find out which type you have
- what to do if your home is already in foreclosure or scheduled for sheriff sale

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## I don't think I will be able to pay my mortgage next month. What should I do?

If you are having trouble paying your mortgage because of an issue related to COVID-19, contact your mortgage servicer to ask for assistance and explain that the hardship was caused by the current crisis. Keep a record of all contact you have with the servicer. This might be important later if there is a question about whether or when you contacted your mortgage company.

## Is anyone available to help me work with my mortgage company?

Yes! FREE housing counselors at agencies across Philadelphia funded through Philadelphia's Department of Housing and Community Development are available to help you work with your mortgage company.

- Call the **Save Your Home Philly Hotline at 215-334 HOME (4663)** to be connected with a housing counseling agency.
- Don't fall for loan modification scams. Be wary of anyone who asks you for money in exchange for getting you mortgage relief. The city's network of housing counseling agencies offers you this help for free.

## I heard that the federal government is stopping all foreclosures. Does this apply to me?

The 60 day moratorium on foreclosures announced by the federal government and included in the CARES Act only applies to "federally-backed mortgage loans," which are **FHA, VA or USDA** loans, **reverse mortgages** insured by HUD, and loans owned or guaranteed by **Fannie Mae and Freddie Mac**. (CARES Act § 4022.) For these borrowers, there is a 60 day moratorium on foreclosures, including filing foreclosures or taking homes to sheriff sale. The moratorium expires on May 17. About 1 in 3 residential mortgages is not federally backed, and is not covered by this moratorium.



## **I heard no one has to pay their mortgage for the next 3-6 months. Is that true?**

No. No one is automatically excused from paying their mortgage because of the crisis, but help is available for some borrowers who are experiencing a COVID-19 related hardship. See below for more details. If you are having a hardship, you must contact your mortgage servicer and request a forbearance or other relief. You will not get it automatically.

## **Am I entitled to a forbearance on my mortgage because I have a COVID-19 related hardship?**

The federal CARES Act only requires mortgage servicers to offer payment forbearances for federally-backed mortgage loans, meaning loans insured or owned by the **FHA, VA, USDA Fannie Mae or Freddie Mac**. (CARES Act § 4022.) If you have one of these types of loans and you are experiencing a hardship that is directly or indirectly related to the COVID-19 crisis, you can request a six month payment forbearance from your mortgage servicer. If the crisis and your hardship are continuing at the end of the first six months, you may be able to request and receive an extension of another six months. The mortgage company is not allowed to charge late fees or other charges because of the forbearance. A forbearance postpones your responsibility to make payments while you are experiencing hardship, but does not excuse those payments completely. Different solutions may be available for you to deal with those missed payments at the end of the forbearance, depending on the type of mortgage you have and your financial situation.

## **How do I know if my mortgage is FHA- or VA-insured?**

An FHA mortgage will list an FHA Case No. and include the term "FHA Mortgage" on the bottom left of each page. To make sure your loan is still FHA-insured, you can call your loan servicer. A VA mortgage has language in the Note and Mortgage identifying it as VA-insured.

## **How do I find out I have a Fannie Mae or Freddie Mac mortgage?**

- You can look up whether your loan is owned or guaranteed by Fannie Mae here: <https://www.knowyouroptions.com/loanlookup> or call 1-800-232-6643 and press 4.
- You can look up whether your loan is owned or guaranteed by Freddie Mac here: <https://www3.freddiemac.com/loanlookup/> or call 1-800-373-3343 and press 4.

## **I have an FHA or VA loan. What assistance is available for me?**

Under the federal CARES Act, there is a 60 day moratorium on filing new foreclosures on any FHA or VA loan. Any foreclosures in process for FHA and VA-insured mortgages are also suspended. The moratorium expires on May 17. (See HUD Mortgagee Letter 2020-04 and VA Circular 26-20-8.)

The CARES Act also provides six month payment forbearances for borrowers with an FHA or VA loan who are experiencing a COVID-19 related hardship, with the possibility of extending for another six months (total of one year). If you have an FHA or VA loan, you should contact your mortgage servicer to request a forbearance. The lender cannot charge you any additional fees or penalties for the forbearance. No documentation is required.

Borrowers with FHA loans who were current before March 2020, and get a forbearance because of the crisis, may qualify to put the missed payments to the back of the loan in a non-interest bearing balloon once they are able to resume making payments. This option, which HUD announced on April 1, 2020, is called the "COVID-19 National Emergency Stand-Alone Partial Claim." (For more details see HUD Mortgagee Letter 2020-06.)



FHA and VA loans also have existing loss mitigation options which include repayment plans for borrowers who can cure arrears within six months, and loan modification programs which in some cases can put some of the debt to the back of the loan. It is possible that additional options will be introduced for FHA and VA loans by the time the COVID-19 forbearances end.

## **What protections are available for Fannie Mae and Freddie Mac Mortgages?**

Fannie Mae and Freddie Mac borrowers get some protections under the CARES Act, including a 60 day foreclosure moratorium (through May 17) and entitlement to forbearances for COVID-19 related hardships. (CARES Act § 4022.) On March 18, prior to the CARES Act, the Federal Housing Finance Administration (FHFA) also directed Fannie Mae and Freddie Mac to suspend foreclosures and evictions for sixty days, and to offer forbearances of up to twelve months for borrowers who have experienced a hardship related to COVID-19. At the end of the forbearance, the lender must review the borrower for loan modification options that either lower the mortgage payment or keep it the same. (See Fannie Mae Lender Letter 2020-02, Freddie Mac Bulletin 2020-4.) They may also defer one or two missed payments to the end of the loan (See Fannie Mae Lender Letter 2020-05, Freddie Mac Bulletin 2020-6.)

### **Here are more details:**

- Primary residences, second homes and investment properties are eligible for this relief.
- Documentation of the COVID-19 related hardship will not be required.
- Penalties and late fees will be waived. Interest will still accrue during the forbearance.
- Borrowers who were current before the COVID-related forbearance will not have negative credit reporting during the forbearance. This does not apply to those were behind before March 27, unless they bring the loan current before receiving a forbearance.
- Borrowers with COVID-19 related hardships who were less than 31 days delinquent as of March 13, 2020 may be eligible for special Disaster Relief Modifications.
- No foreclosure sales may be conducted until after May 17, 2020. (The first foreclosure sale date in Philadelphia after May 17 is June 2.)
- No evictions from foreclosed properties owned by Fannie Mae or Freddie Mac are allowed until after May 17.

## **My mortgage is serviced by PHFA. What protections do I have?**

On March 18, the Pennsylvania Housing Finance Agency (PHFA), which services both FHA-insured and traditional mortgages in Philadelphia, announced suspension of foreclosures and a halt to negative credit reporting for all of its mortgage customers "until impacts from the virus subside." FHA-insured mortgages serviced by PHFA are also covered by the 60 day foreclosure moratorium and forbearances for COVID-19 related hardships in the CARES Act, as well as the option for people who were current before the crisis to put missed payments from the forbearance to the back of the loan. (For more details, see HUD Mortgagee Letter 2020-06.)

## **My mortgage is serviced by another mortgage company, like Wells Fargo, PHH, or some other company? What protections do I have?**

Some mortgage companies (also called mortgage servicers) are offering help to homeowners, even if their mortgage is not covered by the 60-day foreclosure moratorium and the forbearances for COVID-19 related hardships in the CARES Act. You should contact your mortgage company right away to talk about these options.



## **Will my credit be hurt if I accept a forbearance or payment extension from my mortgage company?**

Under the federal CARES Act, if you were current on your mortgage before January 31, 2020 and you get a forbearance or other form of relief that excuses you from making payments during the COVID-19 emergency, your mortgage company should continue to report you as current to the credit bureaus until 120 days after the end of the national emergency. (CARES Act § 4021.) Unlike some of the provisions of the CARES Act, this credit provision applies to ALL mortgages, not just federally-guaranteed mortgages. Note that if you were already behind on your mortgage as of January 31, 2020, the mortgage company can continue to report you as delinquent to the credit bureaus unless you bring your account current.

## **I have a reverse mortgage. How will the COVID-19 situation affect me?**

The vast majority of reverse mortgages are insured by HUD, and thus are covered by the sixty day foreclosure moratorium in the CARES Act. Lenders can't file new foreclosures, pursue existing foreclosure cases, or schedule sheriff sales on these loans until after May 17. If you have a reverse mortgage in default for failure to pay taxes or insurance, or if you just inherited a house from someone with a reverse mortgage, you can request a six month extension of deadlines to cure the default or pay off the mortgage. You must contact the servicer to request the extension. (For more details, see HUD Mortgagee Letter 2020-06.)

## **What if my mortgage is already in foreclosure? How is this crisis affecting my court case?**

Pennsylvania courts, including the Philadelphia Court of Common Pleas, are closed through April 30, with only limited exceptions not applicable to foreclosure cases. All mortgage foreclosure hearings, conferences, and trials scheduled through at least April 30 should be canceled or postponed. Any filing deadlines in foreclosure cases through April 30 are postponed to May 1 or later. All orders affecting foreclosure cases in the Philadelphia Court of Common Pleas can be found at <https://www.courts.phila.gov/covid-19/> . All Pennsylvania court orders related to the crisis can be found at <http://www.pacourts.us/ujc-coronavirus-information>.

No sheriff sales can be held until after April 30. If you have a federally-guaranteed mortgage (FHA, VA, USDA, reverse mortgage, Fannie Mae or Freddie Mac loan) in foreclosure, the CARES Act prevents your lender from taking a judgment against you or scheduling a foreclosure sale until after May 17.

## **I have a conciliation conference date coming up. Should I go to court?**

All conciliation conferences in the Mortgage Foreclosure Diversion Program in City Hall Courtroom 676 scheduled through April 30 will be postponed to a later date. Check the court website for updates before you head to court: <https://www.courts.phila.gov/covid-19/> . You can call your housing counselor or the Save Your Home Philly hotline at 215-334 HOME (4663) if you have questions about whether your conference has been postponed, or if you need to be excused once the courts start holding hearings again.



## **My home was listed for the April 7 sheriff sale. What do I need to know?**

If your home was scheduled for the April 7 sheriff sale, it has been postponed by the Philadelphia Court to June 2. (See the order here: <https://www.courts.phila.gov/pdf/regs/2020/14-of-2020-PJ-ORDER.pdf> )

## **My home was listed for the May 5 sheriff sale. What do I need to know?**

All sheriff sales previously scheduled for May 5 have been postponed by the Court to July 7. (See the order here: <https://www.courts.phila.gov/pdf/regs/2020/25-of-2020-PJ-ORDER.pdf>)

## **My home was sold at sheriff sale but I am still living in it. How am I protected?**

The Pennsylvania courts have ordered that no one can be removed from their home for nonpayment of mortgage, rent or taxes through April 30, so the sheriff can't throw you out. (See page 6 of the Pennsylvania Supreme Court order here: <http://www.pacourts.us/assets/files/page-1305/file-8846.pdf>.)

If you had an FHA or VA mortgage, HUD-insured reverse mortgage, or a Fannie Mae or Freddie Mac mortgage and your home was bought by the mortgage company at sheriff sale, you are also temporarily protected by the CARES Act. The mortgage company (or bank) can't take steps to evict you from the property, such as filing an ejectment action or having the sheriff remove you, until after May 17.

